

STATEMENT BY
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BEFORE THE
SUBCOMMITTEE ON GOVERNMENT
MANAGEMENT, INFORMATION, AND TECHNOLOGY
COMMITTEE ON GOVERNMENT REFORM AND OVERSIGHT
U.S. HOUSE OF REPRESENTATIVES

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INTRODUCTION

Mr. Chairman, members of the Subcommittee, it is my pleasure to testify on behalf of the Department of Veterans Affairs (VA) concerning the Debt Collection Improvement Act (DCIA) of 1996 and the provision for mandatory electronic funds transfer (EFT) for all payments effective January 1, 1999. I am here today to provide you some insight into our electronic commerce activities with the thousands of vendors we do business with daily that are vital to our accomplishing the VA mission.

OVERVIEW

The VA realized some time ago that EFT, electronic data interchange (EDI) and electronic commerce (EC) was the business solution to streamlining procurement and payment processes. VA developed as early as 1995 an Electronic Commerce Strategic Plan for the completion of a series of EDI/EC improvements to every major processing system within VA. With the completion of these improvements, VA met its goals as outlined in the EC Strategic Plan. VA now

provides a number of alternative solutions for EC/EDI and EFT processing including use of the International Merchant Purchase Authorization Card (IMPAC) for micro purchases and a prime vendor payment system for purchases for pharmaceutical and hospital supplies. In combination, EDI and EC alternative solutions have led VA to be one of the leading agencies in promoting EC solutions to acquisition, finance, and payment related processes.

While VA has successfully enhanced its Electronic/EDI Request for Quotation capability through Value Added Networks (VANs), emphasis is being placed on developing full use of transmitting both requests for proposals (RFPs) and Requests for Quotations (RFQs) on the Internet. The Internet can serve both as an inexpensive transport vehicle and as an alternative ordering method to eliminate the manual ordering process.

VA continues to be a lead agency in successfully processing invoices and related payment data electronically. Currently, VA processes 30% of its invoices, 99.6% of its receiving reports, and 49% of its vendor payments electronically.

Through development of EFT payment capabilities and enthusiastic promotional efforts, VA has been highly successful in significantly increasing the number of payees receiving salary, travel, and benefit payments.

Through the EC/EDI/EFT processes, programs currently in place, and the significant enhancements scheduled for implementation in the immediate future, VA offers a comprehensive EC/EDI/EFT program. All of these electronic commerce initiatives have resulted in a reduction of close to 10 million paper transactions. This has benefited VA, its trading partners, and the various payment recipients. VA has positioned itself strongly in being able to provide mandatory electronic payment services effective January 1, 1999, as mandated by the Debt Collection Improvement Act of 1996.

UPDATE

The following is an update to some of the more important EC initiatives currently being promoted:

EDI

VA utilizes a full EDI cycle for the procurement and payment process. At the end of April 1997, VA had 485 trading partner relationships established with vendors wishing to receive electronic Requests for Proposals (RFP) to submit offers. During FY 1996, VA received 180,000 EDI invoices (not including credit card transactions).

VA's Austin Finance Center (AFC) staff worked closely with Treasury's Austin Regional Finance staff to implement the first application of the American National

Standard Institutes (ANSI) X-12 820 payment instruction/remittance advice. By the end of FY 1996, over 40% of VA's payments were issued as EDI EFT payments. To promote EFT participation, in May 1997 VA mailed letters to over 50,000 of VA's 200,000 vendors receiving paper checks, requesting that they convert to EFT. To-date, we have had responses from almost 11,000 vendors. In June 1997, VA will mail to a second group of 50,000 vendors and will continue this process until all vendors have been contacted and enrolled.

We are also expanding the use of EDI to improve other business practices. For example, VA now uses the ANSI X-12 820 transaction set to transmit to State taxing authorities taxes withheld from employees' salaries, along with other detailed information required to post the amounts withheld. Based on the success of the pilot, VA has expanded this project and is currently working with the Federation of Taxing Authorities to encourage local taxing authorities to accept EDI/EFT payments. VA was the first Federal agency to interact electronically with all State taxing authorities for withholding tax.

VA medical centers provide medical care that may be covered by veterans' personal health insurance. VA has initiated a pilot test to transmit this billing information in an ANSI X-12 837 format, called a Health Care Claim. In addition, some veterans are authorized to receive health care services at facilities outside of the VA system. A pilot test is in place to receive these billings electronically as an ANSI X-12 837 transaction as well.

We are currently working on a pilot with VA's Veterans Benefits Administration to utilize EDI processes to send and receive inquiries and responses from banks holding VA guaranteed loans.

PURCHASE CARD

The IMPAC Visa Purchase Card is used almost exclusively in the Department for micro-purchase transactions (those under \$2,500). The program has seen unprecedented expansion during the past year, growing from less than 1% of micro-purchases on purchase cards during FY 1995, to over 90% in April 1997. This is due largely to VA's internally developed Credit Card System (CCS). This system electronically processes all VA's Visa transactions (over 140,000 in April 97, representing \$74 million), posts them to VA's accounting system, and electronically remits payment to the bank card contractor. VA has also received \$2.7 Million in IMPAC rebates and was awarded Vice President Gore's prestigious Hammer Award for development and implementation of the CCS.

PRIME VENDOR

A related initiative, the Prime Vendor Alternative Payment Program, is streamlining VA's multi-billion dollar Prime Vendor payment processing. Using a payment system based on the Credit Card System (CCS), VA can now accept an electronic transaction file for Prime Vendor transactions, post those transactions

to VA's accounting system, and remit an electronic payment to the contract bank for all processed transactions.

I thank you for this opportunity to share our views and innovative initiatives on electronic commerce as it relates to the Debt Collection Improvement Act of 1996.